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***Arsyad & Rekan***  
*Registered Public Accountants*

**YAYASAN EKOTURISME INDONESIA**

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2003 AND 2002  
AND  
INDEPENDENT AUDITORS' REPORT**

**INDEPENDENT AUDITORS' REPORT**

Report No. ARS-002/04


The Organs of Foundation  
**Yayasan Ekoturisme Indonesia**

We have audited the financial position of Yayasan Ekoturisme Indonesia as of December 31, 2003 and 2002 and the related statements of activities and cash flows for the years then ended. These financial statements are responsibility of the Foundation's executives. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Instituted of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by executives, as well as evaluating the overall financial position presentations. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respect the financial position of Yayasan Ekoturisme Indonesia as of December 31, 2003 and 2002 and the results of its activities, and its cash flow for the years then ended in conformity with generally accepted accounting principles.

**ARSYAD & REKAN**



Drs. S. Arsyad  
License No. 99.1.0568

May 25, 2004

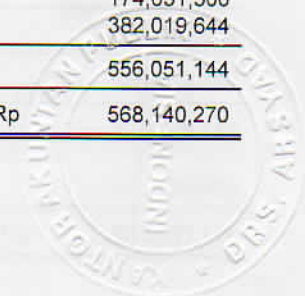
**NOTICE TO READERS**

The accompanying financial statements are intended to present the financial position, result of activities and cash flows in accordance with accounting principles and practices generally accepted in Indonesia and not those of any other jurisdictions. The standards, procedures and practices applied to audit such financial statements are those generally accepted and applied in Indonesia.

**YAYASAN EKOTURISME INDONESIA  
STATEMENTS OF FINANCIAL POSITIONS  
DECEMBER 31, 2003 AND 2002**

|  | Notes  | 2003                  | 2002                  |
|--|--------|-----------------------|-----------------------|
| <b>ASSETS</b>  |        |                       |                       |
| <b>CURRENT ASSETS</b>                                    |        |                       |                       |
| Cash and banks   | 2,3,10 | Rp 270,590,607        | Rp 282,379,897        |
| Other current assets                                     | 2,4    | 36,916,667            | 15,992,140            |
| <b>Total Current Assets</b>                              |        | <b>307,507,274</b>    | <b>298,372,037</b>    |
| <b>NON CURRENT ASSETS</b>                                |        |                       |                       |
| Due from related parties                                 | 2,5    | 17,405,825            | 5,674,138             |
| Property and equipment - net of accumulated depreciation | 2,6,9  | 227,210,585           | 264,094,095           |
| <b>Total Non Current Assets</b>                          |        | <b>244,616,410</b>    | <b>269,768,233</b>    |
| <b>TOTAL ASSETS</b>                                      |        | <b>Rp 552,123,684</b> | <b>Rp 568,140,270</b> |
| <b>LIABILITIES AND NET ASSETS</b>                        |        |                       |                       |
| <b>LIABILITIES</b>                                       |        |                       |                       |
| Accrued expenses   | 2      | Rp 4,924,456          | Rp 7,914,988          |
| Tax payable  | 2,7    | 17,405,825            | 4,174,138             |
| <b>Total Liabilities</b>                                 |        | <b>22,330,281</b>     | <b>12,089,126</b>     |
| <b>NET ASSETS</b>  |        |                       |                       |
| Unrestricted   |        | 69,647,437            | 174,031,500           |
| Restricted - temporary                                   |        | 460,145,966           | 382,019,644           |
| <b>Total Net Assets</b>                                  |        | <b>529,793,403</b>    | <b>556,051,144</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                  |        | <b>Rp 552,123,684</b> | <b>Rp 568,140,270</b> |

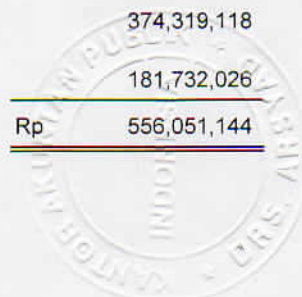
*See accompanying Notes to Financial Statements which are an integral part of the financial statements.*



**YAYASAN EKOTURISME INDONESIA**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

|  | Notes | 2003                   | 2002                  |
|--|-------|------------------------|-----------------------|
| <b>CHANGE IN UNRESTRICTED NET ASSETS:</b>              |       |                        |                       |
| Revenue  | 2,8   |                        |                       |
| Donations  |       | Rp 317,963,062         | Rp 500,448,352        |
| Others   |       | 14,078,339             | 18,754,871            |
| Total Unrestricted Revenue                             |       | <u>332,041,401</u>     | <u>519,203,223</u>    |
| Expenses   | 6,9   |                        |                       |
| General and administrative                             |       | 436,425,464            | 394,054,197           |
| Others   |       | -                      | 15,003,267            |
| Total Unrestricted Expenses                            |       | <u>436,425,464</u>     | <u>409,057,464</u>    |
| Increase (Decrease) in Unrestricted Net Assets         |       | <u>( 104,384,063 )</u> | <u>110,145,759</u>    |
| <b>CHANGE IN TEMPORARY RESTRICTED NET ASSETS:</b>      |       |                        |                       |
| Revenue from donations                                 | 2     | <u>683,297,759</u>     | <u>819,536,951</u>    |
| Program Expenses                                       | 6,9   |                        |                       |
| Education program                                      |       | 221,378,892            | 239,334,431           |
| Water supply program                                   |       | 185,528,606            | 130,680,596           |
| Agriculture program                                    |       | 106,133,592            | 55,845,411            |
| Infrastructure program                                 |       | 54,635,520             | 80,923,155            |
| Health program   |       | 37,122,613             | 48,579,999            |
| Goat breeding program                                  |       | 372,214                | -                     |
| Total Program Expenses                                 |       | <u>605,171,437</u>     | <u>555,363,592</u>    |
| Increase (Decrease) in Temporary Restricted Net Assets |       | <u>78,126,322</u>      | <u>264,173,359</u>    |
| <b>INCREASE (DECREASE) IN NET ASSETS</b>               |       | <b>( 26,257,741 )</b>  | <b>374,319,118</b>    |
| <b>NET ASSETS AT BEGINNING OF YEAR</b>                 |       | <u>556,051,144</u>     | <u>181,732,026</u>    |
| <b>NET ASSETS AT END OF YEAR</b>                       |       | <u>Rp 529,793,403</u>  | <u>Rp 556,051,144</u> |

*See accompanying Notes to Financial Statements which  
are an integral part of the financial statements.*



**YAYASAN EKOTURISME INDONESIA**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

|  | 2003             | 2002             |
|--|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>          |                  |                  |
| Cash received from donations                         | Rp 1,001,260,821 | Rp 1,169,985,303 |
| Cash paid for project expenses                       | ( 346,380,006 )  | ( 480,351,693 )  |
| Cash received from operations                        | 654,880,815      | 689,633,610      |
| Cash received from interest                          | 10,239,903       | 14,219,121       |
| Cash paid for general and administration expenses    | ( 248,281,973 )  | ( 280,804,207 )  |
| Cash paid for salaries and others                    | ( 370,829,935 )  | ( 153,902,750 )  |
| Net Cash Provided by Operating Activities            | 46,008,810       | 269,145,774      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>          |                  |                  |
| Purchase of property and equipment                   | ( 57,798,100 )   | ( 106,204,750 )  |
| <b>NET INCREASE (DECREASE) IN CASH AND BANKS</b>     | ( 11,789,290 )   | 162,941,024      |
| <b>CASH AND BANKS AT BEGINNING OF YEAR</b>           | 282,379,897      | 119,438,873      |
| <b>CASH AND BANKS AT END OF YEAR</b>                 | Rp 270,590,607   | Rp 282,379,897   |
| Activity not affecting cash flows:                   |                  |                  |
| Acquisition of property and equipment from donations | Rp -             | Rp 150,000,000   |
| Acquisition of property and equipment from trade-in  | 288,063          |                  |

*See accompanying Notes to Financial Statements which  
are an integral part of the financial statements.*



**YAYASAN EKOTURISME INDONESIA  
NOTES TO FINANCIAL STATEMENTS  
For The Years Ended December 31, 2003 and 2002**

**1. GENERAL**

Yayasan Ekoturisme Indonesia (the Foundation) was established based on notarial deed No. 96 of Meijane Halimatussjadiah, S.H. dated July 25, 1998. The deed of establishment was registered at the Denpasar Public Court in its Report List No. 26 dated August 11, 1998. The Foundation's Articles of Association has been amended by notarial deed No. 2 dated September 5, 2002 of Meiyane Halimatussyadiah, S.H., to conform with Law No. 16 year 2001 regarding Foundation. The amendment deed was registered at the Denpasar Public Court in its Report List No. 91 dated October 1, 2002 and still in progress to be approved by the Ministry of Justice and Human Rights.

The purposes and objectives of the Foundation are to be active in the social sector, particularly improving the welfare of village communities through information that can improve the knowledge and awareness of these communities, of their village potential and the community potential, in a voluntary and non-profit manner.

The Foundation has two Secretariats: one is located in Jalan Tunjung Sari No. 2YZ Padangsambian, Denpasar, and the other in Dusun Cut-cut, Ban Village, Kecamatan Kubu, Karangasem, Bali Province, Indonesia.

As of December 31, 2003, the members of the organs of the Foundation are as follows:

Patrons

Chairman : Ketut Arthana  
Member : Endang Husnaeni

Executives

Chairman : David John Booth  
Secretary : Gede Ngurah Indraguna Pinatih  
Treasurer : I Gusti Ngurah Adi Suputra

Supervisor

: John Scott Younger

The Foundation had 33 employees in 2003 and 2002, respectively.

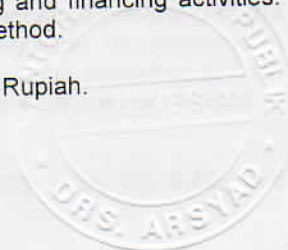
**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Financial Statements

The Foundation adopted the accounting policies and presented the financial statements based on the Statement of Financial Accounting Standards (PSAK) No. 45, "Financial Reporting for Non Profit Organizations", and the principles and practices generally accepted in Indonesia.

The financial statements have been prepared on the historical cost basis of accounting. The basic assumption for financial statements preparation is accrual basis. The statement of cash flows present cash received and payments classified into operating, investing and financing activities. The cash flows from operating activities are presented using the direct method.

The reporting currency used in the financial statements is the Indonesian Rupiah.



**YAYASAN EKOTURISME INDONESIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Years Ended December 31, 2003 and 2002**

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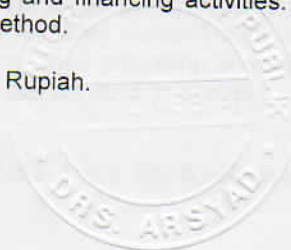
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**YAYASAN EKOTURISME INDONESIA**  
**NOTES TO FINANCIAL STATEMENTS (Continue)**  
**For The Years Ended December 31, 2003 and 2002**

Transactions with Related Parties

The Foundation has transactions with certain parties, which are regarded as having special relationship, as defined under PSAK No. 7, "Related Parties Disclosures".

All significant transactions with related parties, whether or not conducted under similar price, term and conditions as those with third parties, are disclosed in the notes to financial statements.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided based on a review of the collectibility of the receivable accounts at the end of the year.

Prepaid Expenses

Prepaid expenses (presented in as part of "Other Current Assets") are amortized over periods benefited using the straight-line method.

Property and Equipment

Property and equipment are stated at cost, except for property and equipment from donations, which is stated at estimated cost, less accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

|                  | <u>Years</u> |
|------------------|--------------|
| Office equipment | 4 - 8        |
| Vehicles         | 4            |

When the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down to its estimated recoverable amount, which is determined as the higher of net selling price or value in use.

The cost of maintenance and repairs is charged in the statements of activities as incurred; significant renewals and betterments, which extend their useful lives or result in an increase in the future economic benefits are capitalized. When assets are retired or otherwise disposed of, their cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to current operations.

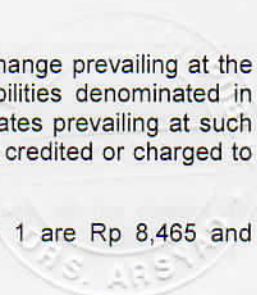
Revenue and Expense Recognition

Revenue from donations is recognized when received from donors. Expenses are recognized as incurred (accrual basis).

Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, assets and liabilities denominated in foreign currencies are adjusted to reflect the average buying and selling rates prevailing at such date as published by Bank Indonesia and any resulting gains or losses are credited or charged to current operations.

As of December 31, 2003 and 2002, the exchange rate using for US\$ 1 are Rp 8,465 and Rp 8,940, respectively.





**YAYASAN EKOTURISME INDONESIA**  
**NOTES TO FINANCIAL STATEMENTS (Continue)**  
**For The Years Ended December 31, 2003 and 2002**

Provision for Income Tax

The Foundation uses the deferred income tax method in accounting for income tax, in accordance with PSAK No. 46, "Accounting for Income Taxes", which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between tax bases and financial reporting bases of assets and liabilities and for the carry forward of fiscal losses. The tax effects of temporary differences and fiscal loss carry forwards, which individually are either assets or liabilities, are shown at the applicable net amounts.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires executives to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could be different from these estimates.

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**3. CASH AND BANKS**

This account consists of the following:

|   | 2003                  | 2002                  |
|---|-----------------------|-----------------------|
| Cash on hand  | Rp 8,086,232          | Rp 13,299,686         |
| Cash in bank:   |                       |                       |
| Rupiah account  |                       |                       |
| PT Bank Negara Indonesia (Persero)                                      | 261,984,370           | 251,238,474           |
| US Dollar account   |                       |                       |
| ABN - AMRO Bank, N.V. (US\$ 61.43 in<br>2003 and US\$ 1,995.72 in 2002) | 520,005               | 17,841,737            |
|   | <u>262,504,375</u>    | <u>269,080,211</u>    |
| Total   | <u>Rp 270,590,607</u> | <u>Rp 282,379,897</u> |

There was no restriction on the usage of the Foundation's funds or either in banks.

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**4. OTHER CURRENT ASSETS**

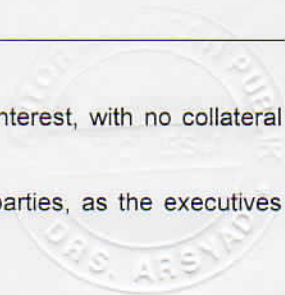
This account mainly represents prepaid rent for office building and land.

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**5. DUE FROM RELATED PARTIES**

This account represents receivables from employees which bears no interest, with no collateral and no payment schedule.

No allowance for doubtful account was provided on due from related parties, as the executives believe that all such receivables are collectible.



**YAYASAN EKOTURISME INDONESIA**  
**NOTES TO FINANCIAL STATEMENTS (Continue)**  
**For The Years Ended December 31, 2003 and 2002**

**6. PROPERTY AND EQUIPMENT**

The details of property and equipment are as follows:

|                                       | 2003                  |                   |                |                       |
|---------------------------------------|-----------------------|-------------------|----------------|-----------------------|
|                                       | Beginning Balance     | Additions         | Deductions     | Ending Balance        |
| <u>Carrying Value</u>                 |                       |                   |                |                       |
| Office equipment                      | Rp 140,038,750        | Rp 32,576,163     | Rp 460,900     | Rp 172,154,013        |
| Vehicles                              | 231,116,950           | 25,510,000        | -              | 256,626,950           |
| <b>Total Carrying Value</b>           | <b>371,155,700</b>    | <b>58,086,163</b> | <b>460,900</b> | <b>428,780,963</b>    |
| <u>Accumulated Depreciation</u>       |                       |                   |                |                       |
| Office equipment                      | 42,636,603            | 36,412,835        | 172,837        | 78,876,601            |
| Vehicles                              | 64,425,002            | 58,268,775        | -              | 122,693,777           |
| <b>Total Accumulated Depreciation</b> | <b>107,061,605</b>    | <b>94,681,610</b> | <b>172,837</b> | <b>201,570,378</b>    |
| <b>Net Book Value</b>                 | <b>Rp 264,094,095</b> |                   |                | <b>Rp 227,210,585</b> |

|                                       | 2002                 |                    |            |                       |
|---------------------------------------|----------------------|--------------------|------------|-----------------------|
|                                       | Beginning Balance    | Additions          | Deductions | Ending Balance        |
| <u>Carrying Value</u>                 |                      |                    |            |                       |
| Office equipment                      | Rp 62,029,000        | Rp 78,009,750      | Rp -       | Rp 140,038,750        |
| Vehicles                              | 52,921,950           | 178,195,000        | -          | 231,116,950           |
| <b>Total Carrying Value</b>           | <b>114,950,950</b>   | <b>256,204,750</b> | <b>-</b>   | <b>371,155,700</b>    |
| <u>Accumulated Depreciation</u>       |                      |                    |            |                       |
| Office equipment                      | 19,937,544           | 22,699,059         | -          | 42,636,603            |
| Vehicles                              | 28,940,958           | 35,484,044         | -          | 64,425,002            |
| <b>Total Accumulated Depreciation</b> | <b>48,878,502</b>    | <b>58,183,103</b>  | <b>-</b>   | <b>107,061,605</b>    |
| <b>Net Book Value</b>                 | <b>Rp 66,072,448</b> |                    |            | <b>Rp 264,094,095</b> |

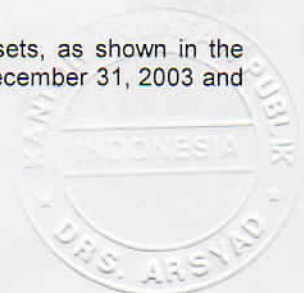
Depreciation for the years ended December 31, 2003 and 2002 was charged to operations amounting to Rp 94,681,610 and Rp 58,183,103 (see Note 9), respectively.

Based on the executives' assessment, there are no events or changes in circumstances, which may indicate impairment in value of property and equipment as of December 31, 2003 and 2002.

**7. TAX PAYABLE**

This account represents Income Tax payable article 21.

The reconciliation between net increase (decrease) in unrestricted net assets, as shown in the statements of activities, and the estimated fiscal loss for the years ended December 31, 2003 and 2002 are as follows:



**YAYASAN EKOTURISME INDONESIA**  
**NOTES TO FINANCIAL STATEMENTS (Continue)**  
**For The Years Ended December 31, 2003 and 2002**

|   | 2003               | 2002               |
|---|--------------------|--------------------|
| Net increase (decrease) in net assets                 | (Rp 26,257,741)    | Rp 374,319,118     |
| Permanent differences:                                |                    |                    |
| Salaries, wages and employee benefit                  | 61,542,728         | -                  |
| Professional fees                                     | -                  | 10,572,496         |
| Rental  | 39,598,333         | 10,450,000         |
| Donations received                                    | ( 1,001,260,821 )  | ( 1,319,985,303 )  |
| Interest income already subjected to final tax        | ( 14,078,339 )     | ( 18,276,630 )     |
| Estimated fiscal loss before fiscal loss carryforward | ( 940,455,840 )    | ( 942,920,319 )    |
| Fiscal loss carryforward                              |                    |                    |
| - 2001  | ( 588,198,546 )    | ( 588,198,546 )    |
| - 2002  | ( 942,920,319 )    | -                  |
| Estimated fiscal loss                                 | (Rp 2,471,574,705) | (Rp 1,531,118,865) |

In accordance with Law No. 17 Year 2000, donations to recipient parties are not tax objects as long as the donations are not received under relations of business, ownership or controlling relations between relevant parties.

In 2003 and 2002, the Foundation did not recognize deferred tax assets on fiscal losses amounting to Rp 741,472,412 and Rp 459,335,660, respectively, because the fiscal losses are considered unrecoverable.

## 8. DONATIONS

This account represents unrestricted and restricted donations received from donor. The details of this account are as follows:

|                        | 2003             | 2002             |
|------------------------|------------------|------------------|
| Unrestricted:          |                  |                  |
| Private                | Rp 305,285,982   | Rp 476,473,777   |
| Regional Institutions  | -                | 8,000,000        |
| Others                 | 12,677,080       | 15,974,575       |
|                        | 317,963,062      | 500,448,352      |
| Temporary Restricted:  |                  |                  |
| Education program      | 272,946,813      | 199,294,137      |
| Water supply program   | 210,140,818      | 301,571,200      |
| Agriculture program    | 145,321,306      | 219,326,498      |
| Health program         | 31,410,561       | 23,859,600       |
| Infrastructure program | 23,478,261       | 75,485,516       |
|                        | 683,297,759      | 819,536,951      |
| Total                  | Rp 1,001,260,821 | Rp 1,319,985,303 |



**YAYASAN EKOTURISME INDONESIA**  
**NOTES TO FINANCIAL STATEMENTS (Continue)**  
**For The Years Ended December 31, 2003 and 2002**

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**9. GENERAL AND ADMINISTRATIVE**

This account consists of the following:

|                                | 2003           |    | 2002        |
|--------------------------------|----------------|----|-------------|
| Salaries and employee benefits | Rp 95,863,977  | Rp | 63,921,757  |
| Depreciation (see Note 6)      | 94,681,610     |    | 58,183,103  |
| Office supplies                | 86,179,626     |    | 109,574,639 |
| Promotion and fundraising      | 46,302,655     |    | 32,705,065  |
| Transportation                 | 38,373,818     |    | 28,672,802  |
| Media and communication        | 33,289,423     |    | 50,808,921  |
| Rental                         | 24,250,000     |    | 10,450,000  |
| Electricity                    | 9,239,710      |    | 10,128,020  |
| Professional fees              | -              |    | 10,572,496  |
| Others                         | 8,244,645      |    | 19,037,394  |
| Total                          | Rp 436,425,464 | Rp | 394,054,197 |

The amounts above include the expenses of field site office operational costs to service all the programmes amounting to Rp 134,451,307 in 2003 and Rp 116,579,720 in 2002

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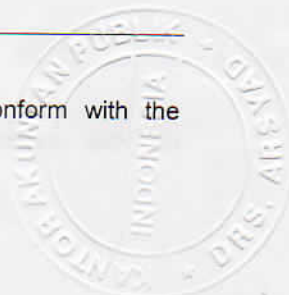
**10. ASSETS IN FOREIGN CURRENCY**

As of December 31, 2003 and 2002, the Foundation has cash in bank denominated in foreign currency amounting to US\$ 61.43 and US\$ 1,995.72, which is equivalent Rp 520,005 and Rp 17,841,737, respectively.

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**11. RECLASSIFICATION OF ACCOUNTS**

Certain accounts in 2002 financial statements have been reclassified to conform with the presentation of accounts in the 2003 financial statements.



**YAYASAN EKOTURISME INDONESIA**  
**NOTES TO FINANCIAL STATEMENTS (Continue)**  
**For The Years Ended December 31, 2003 and 2002**

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**9. GENERAL AND ADMINISTRATIVE**

This account consists of the following:

|                                | 2003                  |           | 2002               |
|--------------------------------|-----------------------|-----------|--------------------|
| Salaries and employee benefits | Rp 95,863,977         | Rp        | 63,921,757         |
| Depreciation (see Note 6)      | 94,681,610            |           | 58,183,103         |
| Office supplies                | 86,179,626            |           | 109,574,639        |
| Promotion and fundraising      | 46,302,655            |           | 32,705,065         |
| Transportation                 | 38,373,818            |           | 28,672,802         |
| Media and communication        | 33,289,423            |           | 50,808,921         |
| Rental                         | 24,250,000            |           | 10,450,000         |
| Electricity                    | 9,239,710             |           | 10,128,020         |
| Professional fees              | -                     |           | 10,572,496         |
| Others                         | 8,244,645             |           | 19,037,394         |
| <b>Total</b>                   | <b>Rp 436,425,464</b> | <b>Rp</b> | <b>394,054,197</b> |

The amounts above include the expenses of field site office operational costs to service all the programmes amounting to Rp 134,451,307 in 2003 and Rp 116,579,720 in 2002 which was not provided in specific budgets or allocated to programmes expenses.

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**10. ASSETS IN FOREIGN CURRENCY**

As of December 31, 2003 and 2002, the Foundation has cash in bank denominated in foreign currency amounting to US\$ 61.43 and US\$ 1,995.72, which is equivalent Rp 520,005 and Rp 17,841,737, respectively.

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**11. RECLASSIFICATION OF ACCOUNTS**

Certain accounts in 2002 financial statements have been reclassified to conform with the presentation of accounts in the 2003 financial statements.

